

# HOUSE BILL REPORT

## ESB 6003

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**As Reported by House Committee On:**  
Transportation

**Title:** An act relating to commute trip reduction tax credit.

**Brief Description:** Modifying the commute trip reduction tax credit.

**Sponsors:** Senator Jacobsen.

**Brief History:**

**Committee Activity:**

Transportation: 4/11/05, 4/12/05 [DPA].

**Brief Summary of Engrossed Bill**  
**(As Amended by House Committee)**

- Applications for the Commute Trip Reduction (CTR) tax credit will no longer be filed throughout the year and must be filed in January, for the previous calendar year in which the expenditures for CTR incentives were made.
- The total amount of state credit available is increased by \$1 million per biennium.
- If the amount of credits applied for exceeds the total state limit, the Department of Revenue will proportionally reduce all credits.
- Credits used in subsequent years are subject to the total state limitation for the fiscal year for which the credit was originally approved.

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### HOUSE COMMITTEE ON TRANSPORTATION

**Majority Report:** Do pass as amended. Signed by 27 members: Representatives Murray, Chair; Wallace, Vice Chair; Woods, Ranking Minority Member; Skinner, Assistant Ranking Minority Member; Appleton, Buck, Campbell, Curtis, Dickerson, Ericksen, Flannigan, Hankins, Hudgins, Jarrett, Kilmer, Lovick, Morris, Nixon, Rodne, Schindler, Sells, Shabro, Simpson, B. Sullivan, Takko, Upthegrove and Wood.

**Staff:** Beth Redfield (786-7347).

**Background:**

Major employers who employ 100 or more employees in the state's 10 largest counties are required to implement commute trip reduction programs to reduce the number of their employees traveling by single-occupant vehicles to their work sites.

Under the Commute Trip Reduction Tax Credit Program (CTR Tax Credit), employers are allowed a business and occupation or public utility tax credit if they provide financial incentives to their employees for ride sharing in car pools, using public transportation, using car sharing, and non-motorized commuting (CTR incentives). Employers may apply for a tax credit of up to \$60 per employee per fiscal year or up to 50 percent of the financial CTR incentives, whichever is less. Property managers and other employers may claim a credit for incentives granted employees at their work sites.

The tax credits claimed in a fiscal year may not exceed \$2.25 million per fiscal year. By means of Treasurer transfers, the State General Fund is reimbursed for the amount of tax credits from the Multimodal Transportation Account.

Companies apply for the CTR Tax Credit throughout the year, at the time they file their returns with the Department of Revenue (DOR). Companies file monthly, quarterly, or annually, depending on the estimated level of business activity. Small companies typically file annually, in the January of the next calendar year. Once the total state amount of credit is met for a fiscal year, credits are no longer granted.

Each fiscal year, no tax credit claimed can be greater than the amount of taxes due or greater than \$200,000. Tax credits may not be carried back but may be deferred for up to three years. Under current law, a credit that is deferred applies against the total state amount of credit available in the year the credit is claimed.

The tax credits and grants expire June 30, 2013.

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### **Summary of Amended Bill:**

Applications for CTR tax credits must be received in the January following the calendar year in which the company incurred financial CTR incentives. For applications due in January 2006, the application shall not include financial CTR incentives paid from January 1, 2005, through June 30, 2005.

The total amount of state credit available is increased by \$500,000 per fiscal year, to \$2.75 million.

If the total amount of approved credits exceeds the total state limit, the DOR must proportionally reduce the credits for all applicants.

Credits deferred before July 1, 2005, must be claimed as part of the application process, may not be used after June 30, 2008, and are subject to proportional reduction.

After July 1, 2005, a tax credit may be carried over until it is used. Credits used in subsequent years are subject to the total state limitation for the fiscal year for which the credit was originally approved.

**Amended Bill Compared to Original Bill:**

Language is deleted which states that the overall state limitation on the credit does not include credits carried forward after the effective date of the act. If the amount of credits applied for exceeds the total state limit, the proportional reductions will apply to all credits equally. The credit may exceed the amount of tax due. However, taxpayers may not claim credits in excess of the tax due. They may carry those forward to be used in subsequent years. Credits used in subsequent years are subject to the total state limitation for the fiscal year for which the credit was originally approved. No person may claim tax credits after June 30, 2013.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Amended Bill:** This bill contains an emergency clause and takes effect July 1, 2005. The bill is null and void if Senate Bill 6103 (transportation revenue) is not enacted by June 30, 2005.

**Testimony For:** The bill makes two main changes. It manages the funds available for the tax credit program in a more equitable fashion. It increases the funds available. The Commute Trip Reduction Tax Credit has been an effective and popular program. For every dollar of public investment it leverages \$12 of private investment. The data shows that employers that use the tax credit are more successful in reducing commute trips by their employees. Experience with the program has also shown that smaller employers have more difficulty accessing the program.

**Testimony Against:** None.

**Persons Testifying:** Bill Roach, Commute Trip Reduction Task Force; and Brian Lagerberg, Washington State Department of Transportation.

**Persons Signed In To Testify But Not Testifying:** None.